

# HOUSE BILL REPORT

## HB 1324

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to sales and use tax exemptions for prescribed durable medical equipment used in the home and prescribed mobility enhancing equipment.

**Brief Description:** Providing sales and use tax exemptions for prescribed mobility enhancing equipment.

**Sponsors:** Representatives Hunter, Lovick, Alexander, Simpson, Ericks, Dickerson, Dunn, Morrell, McDonald, Conway, Linville, Wallace and Schual-Berke.

**Brief History:**

**Committee Activity:**

Finance: 2/2/07, 2/16/07 [DPS].

**Brief Summary of Substitute Bill**

- Exempts mobility enhancing equipment from sales and use tax.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

**Staff:** Jeff Mitchell (786-7139).

**Background:**

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the

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location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Sales of mobility enhancing equipment (MEE) are not exempt from sales and use tax. Mobility enhancing equipment is equipment that is primarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in the home or a motor vehicle. Examples of MEE include: canes, chair lifts, crutches, wheelchairs, and walkers.

Sales of most durable medical equipment (DME) are not exempt from sales and use tax. Durable medical equipment is equipment used to serve a medical purpose, that can withstand repeated use, and is generally not useful in the absence of disease or injury. Durable medical equipment and MEE are mutually exclusive categories. The only items of DME currently exempt from sales and use tax are medically prescribed oxygen and associated systems, nebulizers, and kidney dialysis devices.

Prosthetic devices are currently exempt from sales and use tax. Examples of prosthetic devices include: ace bandages, arm slings, corrective eyewear, and hearing aids.

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### **Summary of Substitute Bill:**

The sale of prescribed MEE is exempted from sales and use tax.

A refund mechanism is created for nebulizers. This refund mechanism preserves the tax exempt status of nebulizers while conforming the language with the streamlined sales and use tax agreement.

The component parts of MEE and prosthetic devices are exempted from sales and use tax.

### **Substitute Bill Compared to Original Bill:**

The substitute bill eliminates the proposed sales and use tax exemption for prescribed durable medical equipment and related components, but retains the proposed exemption for MEE. The substitute bill also eliminates the proposed tax refund requirements for medically prescribed oxygen and kidney dialysis devices. The proposed requirement that component parts of MEE and prosthetic devices be prescribed is eliminated. Other changes of a technical nature are made.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support) We have a program that donates free durable medical equipment to veterans with spinal cord injuries. They receive the hand-me-down equipment from veterans who have died. We re-service the equipment to provide it to anybody who sees our newsletter. We've been pushing this bill for 10 years. It makes good fiscal sense. Forty-six states provide some type of tax relief for these items. In 2003, the fiscal impact was \$7 million which included all items. The following biennium, the fiscal note was \$5.5 million. The Department of Revenue's fiscal note is questionable because the fiscal impact in prior years was lower for similar or more expansive exemptions. The Homestead Act requires people to move people from nursing homes back to the community. That's what this bill does. Home care creates a more supportive and dignified environment for those recovering from injury or disease. Patients are burdened by expensive health care costs. This bill will help alleviate some of these financial concerns. The majority of citizens cannot afford long-term care. Washington is one of four states that partially tax durable medical equipment. This bill would promote the provision of health care in the home environment.

(Opposed) None.

**Persons Testifying:** Skip Dreps, Paralyzed Veterans of America; Tom Coogan and Mike Flanagan, Pacific Association of Medical Equipment Suppliers; and Wendal Matas, Wheelchairs Northwest.

**Persons Signed In To Testify But Not Testifying:** None.